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INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
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RUEHCV/AMEMBASSY CARACAS PRIORITY 0984
RUEHGE/AMEMBASSY GEORGETOWN PRIORITY 1146
RUEHKG/AMEMBASSY KINGSTON PRIORITY 2935
RUEHLP/AMEMBASSY LA PAZ APR 0535
RUEHPO/AMEMBASSY PARAMARIBO PRIORITY 1270
RUEHPU/AMEMBASSY PORT AU PRINCE PRIORITY 4967
RUEHSP/AMEMBASSY PORT OF SPAIN PRIORITY 1974
RUEAWJA/DEPT OF JUSTICE WASHDC PRIORITY
RUEAIIA/CIA WASHINGTON DC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUEHUB/USINT HAVANA PRIORITY 0256
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
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C O N F I D E N T I A L SANTO DOMINGO 000434

SENSITIVE
SIPDIS

STATE DEPARTMENT FOR WHA DAS DROBINSON, INL RLEVENTHAL,
ERINDLER, USOAS DCENTO

E.O. 12958: DECL: 04/06/2019
TAGS: [KCRM](#) [PGOV](#) [KCOR](#) [SNAR](#) [KJUS](#) [DR](#)
SUBJECT: MONEY LAUNDERING IN THE DOMINICAN REPUBLIC

REF: A. 08 SDO 1959
[1](#)B. SDO 308
[1](#)C. 08 SDO 561

Classified By: CDA Richard Goughnour, Reasons 1.4(b), (d)

[1](#)1. (C) Summary: Years after appropriate legislation to combat money laundering was put in place, and with the support of various Embassy agencies, the GODR has begun mounting criminal cases involving financial misconduct. However, the prosecution of money laundering, per se, remains infrequent despite a widespread belief that hundreds of millions, perhaps billions, of dollars are laundered in the DR each year. Several GODR agencies have some role to play in combating money laundering, but the financial intelligence unit is not fully functional. In addition, endemic corruption creates a permissive environment. The greatest challenge is the tepid political will - as revealed by some recent Presidential pardons (reftel A) - which, in turn, feeds widespread cynicism among Dominicans. As one taxi-driver put it, "In the Dominican Republic there is no law, just money." Unless the country's leaders show that crime is not profitable, real concerns exist that both security and democracy in the DR could be undermined as they were in Colombia. End Summary.

Scope and Nature of the Problem

[1](#)2. (SBU) Money laundering in the Dominican Republic is primarily associated with criminal activities such as drug trafficking, human smuggling and trafficking, car theft and corruption. Yet the problem of money laundering also may be seen in terms of three dimensions: The volume or value of laundered funds; the economic sectors most associated with money laundering; and the weakness of governmental institutions.

[1](#)3. (C) According to an estimate provided by Post's NAS Office, two of the six billion dollars spent on construction in the Dominican Republic in 2007 were not financed by banks.

Given the illicit nature of money laundering, and the various criminal activities that generate profits in need of laundering, there is no way to establish unequivocally the amount of money laundered in the DR. An extremely conservative estimate, in GODR circles, is that the equivalent of two percent of the DR's Gross Domestic Product (GDP) is laundered money. (Note: In 2007 the GDP was \$41 billion. End Note.) Certainly, there has been a construction boom in Santo Domingo, and there is a widespread belief here that the construction sector is riddled with money laundering projects.

¶4. (C) In addition to the real estate/construction sector - which may be considered a primary area for money laundering - casinos and currency exchange houses are reportedly important vehicles for money laundering in the DR. Moreover, the relatively high risks associated with using ATMs and credit cards - due to various schemes to defraud legitimate customers - reinforces the use of cash, even for expensive transactions. Political parties and processes are vulnerable too, given the almost total lack of campaign finance controls. Indeed, if allegations that narco-traffickers make donations to political parties are true, then the parties themselves are - unwittingly or not - excellent money laundering mechanisms.

¶5. (SBU) Institutional weaknesses include a failure to complete the transfer of financial intelligence unit (FIU) responsibilities from the original "Unidad de Inteligencia Financiera" (or UIF, established in 1997) to the "Unidad de Analisis Financero" (or UAF, established in 2005, pursuant to the 2002 Anti-Money Laundering Law, 72-02). According to the October 2007-November 2008 report of the Caribbean Financial Action Task Force (CFATF), the DR is one of nine CFATF members that lack Egmont Membership. While the report says the DR "had yet to attain" such membership, in fact the DR once had and then lost membership, in part because of the semi-complete switch from the UIF to the UAF.

Relevant Laws and Institutions

¶6. (SBU) In general, legislation may address one of two issues: anti-money laundering (AML) or combating the financing of terrorism (CFT). In the DR, legislation to address money laundering exists, primarily Law 72-02 (the core anti-money laundering law) and Law 83-02 that provides for financial sanctions if an institution engages in money laundering. Law 78-03 allows for the seizure and management of assets that result from criminal acts for the duration of judicial proceedings. Similarly, a 1995 anti-narcotics law provides for the seizure and forfeiture of assets linked to illegal drugs trafficking. One Senator has also introduced a draft law to address "unexplained enrichment" - a subject of much interest.

¶7. (SBU) Law 72-02 covers a wide range of institutions and types of criminal activities. That is, banks, currency exchange houses, securities brokers, real estate agencies and certain other commercial entities, such as firearm dealers and jewelers, must report suspicious transactions. Activities which can serve as predicate crimes for money laundering prosecution include kidnapping, embezzlement, vehicle theft, trafficking in humans or organs, and fraud against the state, in addition to drug trafficking.

¶8. (SBU) With respect to key anti-money laundering institutions, the UAF should be a primary institution, per the 2002 Anti-Money-Laundering Act, in the fight against this crime. In addition, there exist supervisory bodies for certain industries, such as securities (the "Superintendencia de Valores" or SIV), and banking ("Superintendencia de Bancos" - SupBanco).

¶9. (C) According to a February 2009 analysis by the Secretariat of the Caribbean Financial Action Task Force (C-FATF), the GODR has made progress in many areas since a

May 2006 evaluation found that the country deserved a "non-compliant" or "partially compliant" rating on 83 percent of FATF recommendations. For instance, since 2006, the DR criminalized terrorist financing, and the agencies ("superintendencias") responsible for securities, insurance and pensions have begun both on and off-site supervisions and related procedures. At the same time, it seems that few sanctions have been imposed for violations of AML/CFT obligations. The Superintendency of Banks as not provided specifics regarding sanctions it may have imposed. Supervisory agencies in the securities and insurance sectors currently lack sanctioning powers. Also, while the superintendencias for banks, securities and pensions have issued guidelines regarding "politically exposed persons" (PEPSS), as yet there is no requirement that a financial institution's senior management approve the establishment of business relations with a PEP.

¶10. (SBU) The December 2008 passage of a law that would permit the establishment of an "Independent Financial Center of the Americas (IFCA)," has increased concerns about oversight in the Dominican Republic of financial transactions. The proponents of the IFCA want the center to have its own financial intelligence unit that would, in turn, report to the fledgling UAF, but this appears impermissible under Egmont Group rules and would add to the fragmentation of oversight.

Efforts to Address Money Laundering

¶11. (SBU) As noted in reftel B, the National District Court of Santo Domingo imposed, on March 6, a 10-year jail sentence on the ex-president of the Banco del Progreso for fraud - totaling some USD 400 million - and money laundering committed between 1999 and 2005. The court also ordered the former banker to pay approximately USD 340 million in fines and restitution.

¶12. (SBU) Overall, since 2006 there have been 25 known money laundering investigations, of which only seven have been brought to trial. One of the most famous of these was the BANINTER bank fraud case (reftel C). Although Baninter's ex-President and vice-president were not convicted of money laundering specifically, one entrepreneur connected to the case was. However, in December 2008, President Fernandez issued pardons to several people convicted of involvement in the Baninter financial fraud and the Renove corruption case.

¶13. (SBU) In addition to cases addressing bank fraud and/or money laundering, Dominican authorities have stepped up efforts to find and arrest bulk cash couriers and those who fail to declare currency in excess of \$10,000 when entering the DR. For instance, teams of GODR National Police and Customs officials ran operations in airports around the country and at the ferry to Puerto Rico during September ¶2008. Recently, two American citizens from Puerto Rico were arrested after it turned out that their boat had a hidden compartment, in which was found tens of thousands dollars.

¶14. (SBU) One of the most important on-going efforts is spearheaded by a NAS-sponsored consultant who provides anti-money laundering training to officials from various agencies. The agencies include those that supervise banks and the stock market, the pension system, customs, prosecutors and members of the DNCD (the national drug control directorate), as well as the UAF. The objectives include enhancing the professionalism of participants and creating contacts across agencies that will foster cooperation.

Remaining Challenges

¶15. (C) According to the consultant, Beatrice Arenas, the challenges of addressing money-laundering are legion: Many public servants have jobs because of connections, not competence and thus lack motivation; officials rotate frequently, often shortly after being trained); the tax agency is virtually uninterested in money laundering; and little-to-no attention is being paid to the sale and resale of automobiles as a means of laundering. Moreover, Arenas notes, Dominican laws are inadequate: the asset seizure law exists but is not strong enough, and money-laundering "is not an autonomous crime" - that is, it must be associated with a predicate crime (such as drug smuggling) to come into play. She noted the rule of thumb that the equivalent of two percent of the gross domestic product is laundered, but believes that that significantly under-estimates the amount. Indeed, if the figures cited above with respect to the construction sector are correct, then the overall two percent estimate must be too low. A recent news report indicated that at least 15 percent of construction involved laundered money.

¶16. (SBU) The development of a strong financial intelligence unit is a primary goal. The UAF has the potential, and U.S. agencies are working to provide both equipment and technical expertise to the UAF. However, the continued existence of the UIF and efforts by some to create an FIU for the planned Financial Center (IFCA) indicate more bureaucratic battles lie ahead. Moreover, the recent announcement that the GODR will cut taxes on money returned by Dominicans to the DR from 25 percent to one percent is raising eyebrows: In theory, the GODR's fledgling institutions will scrutinize the funds that flow back, but Post is not certain how they will manage it. Such a dramatic tax cut also signals a desperation for capital that could cause the GODR to look the other way. Certainly, a savings of 24 percent is so great that money launderers will be tempted to recruit overseas Dominicans to act as fronts to then wire the money to the DR.

Comment

¶17. (C) Comment: Far too many Dominicans regard money laundering as a windfall, rather than as the crime that it is. These funds derive from corruption, tax evasion, and violent criminal activity that warp development and undermine efforts to improve governance. Post will continue its anti-money laundering programs and looks forward to working with Washington to consider how multilateral institutions such as such as CFATF and the Inter-American Convention against Corruption mechanism might be re-energized. These institutions could help address the glaring problem of the Government's tepid political will by creating a regional political context (or, support group) that would bolster GODR leaders if they take the tough decisions needed to address the money laundering problem. End Comment.

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